

ALBURNETT COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	13
Statement of Activities	B	14
Governmental Fund Financial Statements:		
Balance Sheet	C	15
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	16
Statement of Revenues, Expenditures and Changes in Fund Balances	E	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	18
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	19
Statement of Revenues, Expenses and Changes in Net Assets	H	20
Statement of Cash Flows	I	21
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	22
Statement of Changes in Fiduciary Net Assets	K	23
Notes to Basic Financial Statements		24-34
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund		35
Notes to Required Supplementary Information - Budgetary Reporting		36
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	37
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	38
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	39
Capital Projects Funds:		
Combining Balance Sheet	4	40
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	5	41
Combining Balance Sheet - Private Purpose Trust Accounts	6	42
Combining Schedule of Changes in Fiduciary Net Assets - Private Purpose Trust Accounts	7	43
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	8	44
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	9	45
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		46-47
Schedule of Findings		48-52

Alburnett Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2007 Election)		
Dee Lillie Luedtke	President	2009
Kent Wright	Vice President	2007
Duane Bolton	Board Member	2007
David Kirk	Board Member	2008
Barry Woodson	Board Member	2009
Board of Education		
(After September 2007 Election)		
Barry Woodson	President	2009
Dee Lillie Luedtke	Vice President	2009
David Kirk	Board Member	2008
Cindy Francois	Board Member	2010
Michael Olinger	Board Member	2010
School Officials		
Michael Harrold	Superintendent	2008
Rhonda Lange	District Secretary/Treasurer and Business Manager	2008
Day, Rettig, Peiffer, P.C.	Attorney	2008

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Alburnett Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Alburnett Community School District, Alburnett, Iowa as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Alburnett Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 19, 2009 on our consideration of the Alburnett Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 35 through 36 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Alburnett Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 9, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

January 19, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Alburnett Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,059,397 in fiscal 2007 to \$5,326,881 in fiscal 2008, while General Fund expenditures increased from \$5,382,491 in fiscal 2007 to \$5,518,458 in fiscal 2008. The increase in revenues was not large enough to offset the District's already high expenditures. This resulted in a decrease in the District's General Fund balance from a deficit balance \$590,746 in fiscal 2007 to a deficit balance \$782,323 in fiscal 2008, a 32.43% decrease in fiscal 2008.
- The increase in General Fund revenues was attributable to an increase in state sources of revenue in fiscal 2008.
- The increase in expenditures was due primarily to the following:
 - 1) Increase in regular instruction costs.
 - 2) Increase in administration services and transportation services expenditures.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Alburnett Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Alburnett Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Alburnett Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

Alburnett Community School District Annual Financial Report

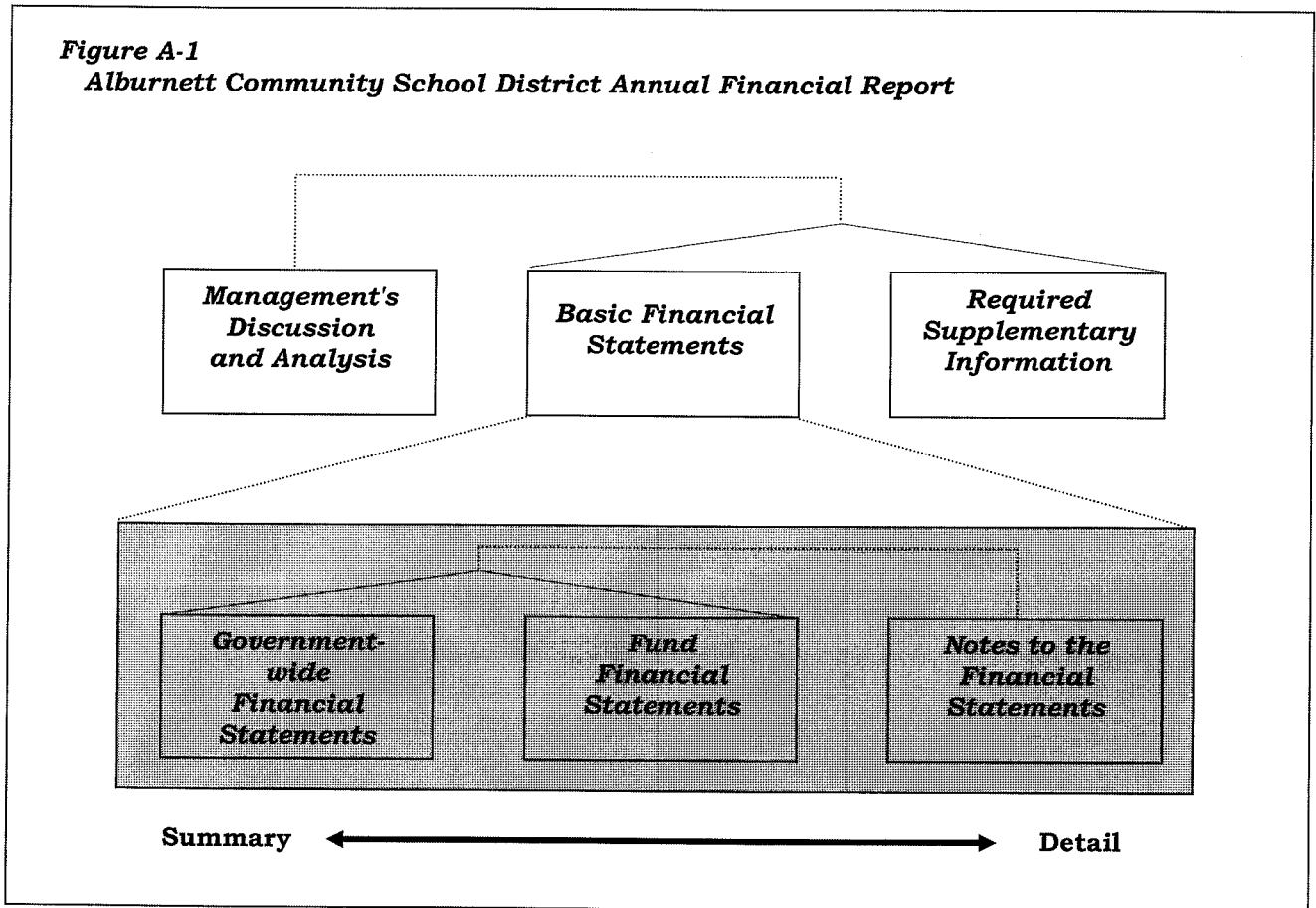


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and

expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Capital Projects, and Special Revenue Funds.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Fund.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds – These are funds through which the District administers and accounts for an alternative school program.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 7,162,508	6,640,277	19,031	15,817	7,181,539	6,656,094	7.89%
Capital assets	1,899,902	1,201,720	2,935	3,872	1,902,837	1,205,592	57.83%
Total assets	9,062,410	7,841,997	21,966	19,689	9,084,376	7,861,686	15.55%
Long-term obligations	3,109,589	2,981,120	0	0	3,109,589	2,981,120	4.31%
Other liabilities	4,937,749	4,164,814	16,452	25,167	4,954,201	4,189,981	18.24%
Total liabilities	8,047,338	7,145,934	16,452	25,167	8,063,790	7,171,101	12.45%
Net assets:							
Invested in capital assets, net of related debt	1,196,490	1,054,083	2,935	3,872	1,199,425	1,057,955	13.37%
Restricted	920,167	361,018	0	0	920,167	361,018	154.88%
Unrestricted	(1,101,585)	(719,038)	2,579	(9,350)	(1,099,006)	(728,388)	-50.88%
Total net assets	\$ 1,015,072	696,063	5,514	(5,478)	1,020,586	690,585	47.79%

The District's combined net assets increased by 47.79%, or \$330,001, compared to the prior year. The largest portion of the District's net assets is the invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$559,149, or 154.88% over the prior year. The increase was primarily a result of the District improving fund balance in the Capital Projects Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$370,618, or 50.88%. This decrease in unrestricted net assets was a result of the District's decrease in the General Fund balance and Capital Project Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to June 30, 2007.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 1,024,067	968,825	147,897	137,520	1,171,964	1,106,345	5.93%
Operating grants and contributions and restricted interest	590,268	573,667	69,940	47,538	660,208	621,205	6.28%
General revenues:							
Local tax	1,966,160	1,774,897	0	0	1,966,160	1,774,897	10.78%
Local option sales and service tax	546,957	0	0	0	546,957	0	100.00%
Unrestricted state grants	2,421,814	2,219,070	0	0	2,421,814	2,219,070	9.14%
Other	220,036	54,495	219	208	220,255	54,703	302.64%
Transfers	(5,409)	0	0	0	(5,409)	0	-100.00%
Total revenues	6,763,893	5,590,954	218,056	185,266	6,981,949	5,776,220	20.87%
Program expenses:							
Governmental activities:							
Instructional	4,203,348	3,899,627	0	0	4,203,348	3,899,627	7.79%
Support services	1,875,765	1,774,656	0	0	1,875,765	1,774,656	5.70%
Non-instructional programs	0	0	207,064	200,769	207,064	200,769	3.14%
Other expenses	365,771	243,096	0	0	365,771	243,096	50.46%
Total expenses	6,444,884	5,917,379	207,064	200,769	6,651,948	6,118,148	8.72%
Changes in net assets	319,009	(326,425)	10,992	(15,503)	330,001	(341,928)	196.51%
Beginning net assets	696,063	1,022,488	(5,478)	10,025	690,585	1,032,513	-33.12%
Ending net assets	\$ 1,015,072	696,063	5,514	(5,478)	1,020,586	690,585	47.79%

Local tax, local option sales and services tax and unrestricted state grants account for 70.68% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 91.39% of the total expenses.

The District's total revenues were \$6,981,949 of which \$6,763,893 was for governmental activities and \$218,056 was for business-type activities.

As shown in Figure A-4, the District as a whole experienced a 20.87% increase in revenues and an 8.72% increase in expenses. Revenues increased primarily due to an increase in property and local option sales tax of \$738,220. The increase in expenses related to an increase regular instruction and facilities acquisitions expenditures.

Governmental Activities

Revenues for governmental activities were \$6,763,893 and expenses were \$6,444,884.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 4,203,348	3,899,627	7.79%	2,796,150	2,558,341	9.30%
Support services	1,875,765	1,774,656	5.70%	1,869,290	1,764,498	5.94%
Other expenses	365,771	243,096	50.46%	165,109	52,048	217.22%
Totals	\$ 6,444,884	5,917,379	8.91%	4,830,549	4,374,887	10.42%

- The cost financed by users of the District's programs was \$1,024,067.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$590,268.
- The net cost of governmental activities was financed with \$1,966,160 in local tax, \$546,957 in local option sales and services tax, \$2,421,814 in unrestricted state grants and \$220,036 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$218,056 and expenses were \$207,064. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Alburnett Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of a \$2,245,620, compared to last year's ending fund balances of \$2,497,910. However, the primary reason for the decrease was the decrease in the General Fund balance and Capital Projects Fund balance.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the product of many factors. Increase in tax levy during the year in tax and grants resulted in an increase in revenues. The District's increase in General Fund expenditures ensured a decrease in the District's financial position. The District spent more than the District received.
- The Student Activity fund balance decreased from \$105,856 in 2007, to \$94,703 in 2008.
- The Physical Plant and Equipment Levy (PPEL) fund balance increased from \$121,912 to \$151,568, due to decreased expenditures.
- The Management fund balance increased from \$41,496 to \$75,073, due to increased revenues.

Proprietary Fund Highlights

The School Nutrition Fund net assets increased from a deficit \$5,478 at June 30, 2007 to a positive \$5,514 at June 30, 2008, due to an increase in Federal sources of revenue.

BUDGETARY HIGHLIGHTS

The District's revenues were \$280,224 more than budgeted revenues, a variance of 4.18%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$1.9 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 57.83% from last year. More detailed information about capital assets is available in Note 6 to the financial statements. Depreciation expense for the year was \$109,047.

The original cost of the District's capital assets was \$3.62 million. Governmental funds account for \$3.54 million with the remainder of \$0.08 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress. The District's construction in progress totaled \$840,492 at June 30, 2008, compared to \$44,621 reported at June 30, 2007.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 1,000	1,000	0	0	1,000	1,000	0.00%
Construction in progress	840,492	44,621	0	0	840,492	44,621	1783.62%
Buildings	852,284	878,099	0	0	852,284	878,099	-2.94%
Land improvements	42,694	43,917	0	0	42,694	43,917	-2.78%
Machinery and equipment	163,432	234,083	2,935	3,872	166,367	237,955	-30.08%
Total	\$ 1,899,902	1,201,720	2,935	3,872	1,902,837	1,205,592	57.83%

Long-Term Debt

At June 30, 2008, the District had \$3,109,589 in general obligation and other long-term debt outstanding. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 7 to the financial statements.

The District had total outstanding General Obligation Bonds payable of \$2,765,000 at June 30, 2008.

As of June 30, 2008, the District had two bus lease payables totaling \$94,292. These leases are payable from the General Fund.

The District had total outstanding Early Retirement payable from the Special Revenue - Management Fund of \$250,297 at June 30, 2008.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2008	2007	
General obligation bonds	\$ 2,765,000	2,850,000	-2.98%
Bus leases	94,292	111,620	-15.52%
Early retirement	250,297	19,500	1183.57%
Totals	3,109,589	2,981,120	4.31%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Although the District has experienced declining enrollment for a few years, the District expects a slight increase in enrollment.
- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten-year period which began in fiscal year 2005.
- Low allowable growth over several years and enrollment decreases is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Rhonda Lange, District Board Secretary, Alburnett Community School District, P.O. Box 189, Alburnett, Iowa, 52202.

BASIC FINANCIAL STATEMENTS

ALBURNETT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments:			
ISCAP(Note 5)	\$ 1,300,513	0	1,300,513
Other	3,476,967	138	3,477,105
Receivables:			
Property tax:			
Delinquent	89,831	0	89,831
Succeeding year	2,065,007	0	2,065,007
Interfund	7,500	0	7,500
Accounts	3,719	0	3,719
Accrued ISCAP interest(Note 5)	493	0	493
Due from other governments	218,478	5,923	224,401
Inventories	0	12,970	12,970
Capital assets, net of accumulated depreciation(Note 6)	1,899,902	2,935	1,902,837
TOTAL ASSETS	9,062,410	21,966	9,084,376
LIABILITIES			
Interfund	0	7,500	7,500
Accounts payable	638,757	0	638,757
Loan payable	200,000	0	200,000
Accrued interest payable	20,861	0	20,861
Salaries and benefits payable	700,135	4,269	704,404
ISCAP warrants payable(Note 5)	1,290,000	0	1,290,000
ISCAP accrued interest payable(Note 5)	495	0	495
ISCAP unamortized premium	22,123	0	22,123
Deferred revenue:			
Succeeding year property tax	2,065,007	0	2,065,007
Other	371	0	371
Unearned revenues	0	4,683	4,683
Long-term liabilities(Note 7):			
Portion due within one year:			
General obligation bonds payable	90,000	0	90,000
Bus leases	18,224	0	18,224
Early retirement payable	82,606	0	82,606
Portion due after one year:			
General obligation bonds payable	2,675,000	0	2,675,000
Bus leases	76,068	0	76,068
Early retirement payable	167,691	0	167,691
TOTAL LIABILITIES	8,047,338	16,452	8,063,790
NET ASSETS			
Invested in capital assets, net of related debt	1,196,490	2,935	1,199,425
Restricted for:			
Talented and gifted	87,020	0	87,020
State technology	16,133	0	16,133
Beginning teacher mentoring	3,531	0	3,531
Basic teacher compensation	103	0	103
Professional development day	3,317	0	3,317
Market factor	4,309	0	4,309
Market factor incentives	4,177	0	4,177
Phase III	2,530	0	2,530
Capital projects	552,776	0	552,776
Physical plant and equipment levy	151,568	0	151,568
Other special revenue purposes	94,703	0	94,703
Unrestricted	(1,101,585)	2,579	(1,099,006)
TOTAL NET ASSETS	\$ 1,015,072	5,514	1,020,586

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 2,940,312	550,750	368,037	(2,021,525)	0	(2,021,525)
Special instruction	583,646	115,295	15,094	(453,257)	0	(453,257)
Other instruction	679,390	358,022	0	(321,368)	0	(321,368)
	<u>4,203,348</u>	<u>1,024,067</u>	<u>383,131</u>	<u>(2,796,150)</u>	<u>0</u>	<u>(2,796,150)</u>
Support services:						
Student services	218,259	0	0	(218,259)	0	(218,259)
Instructional staff services	216,158	0	0	(216,158)	0	(216,158)
Administration services	652,243	0	0	(652,243)	0	(652,243)
Operation and maintenance of plant services	412,586	0	0	(412,586)	0	(412,586)
Transportation services	376,519	0	6,475	(370,044)	0	(370,044)
	<u>1,875,765</u>	<u>0</u>	<u>6,475</u>	<u>(1,869,290)</u>	<u>0</u>	<u>(1,869,290)</u>
Other expenditures:						
Facilities acquisitions	9,880	0	0	(9,880)	0	(9,880)
Long-term debt interest	125,493	0	0	(125,493)	0	(125,493)
AEA flowthrough	200,662	0	200,662	0	0	0
Depreciation(unallocated)*	29,736	0	0	(29,736)	0	(29,736)
	<u>365,771</u>	<u>0</u>	<u>200,662</u>	<u>(165,109)</u>	<u>0</u>	<u>(165,109)</u>
Total governmental activities	6,444,884	1,024,067	590,268	(4,830,549)	0	(4,830,549)
Business-Type activities:						
Non-instructional programs:						
Food service operations	207,064	147,897	69,940	0	10,773	10,773
Total	<u>\$ 6,651,948</u>	<u>1,171,964</u>	<u>660,208</u>	<u>(4,830,549)</u>	<u>10,773</u>	<u>(4,819,776)</u>
General Revenues:						
Property tax levied for:						
General purposes			\$ 1,641,360	0	1,641,360	
Debt service			203,694	0	203,694	
Capital outlays			121,106	0	121,106	
Local option sales and services tax			546,957	0	546,957	
Unrestricted state grants			2,421,814	0	2,421,814	
Unrestricted investment earnings			220,036	219	220,255	
Transfers			(5,409)	0	(5,409)	
Total general revenues			<u>5,149,558</u>	<u>219</u>	<u>5,149,777</u>	
Changes in net assets			319,009	10,992	330,001	
Net assets beginning of year			696,063	(5,478)	690,585	
Net assets end of year			<u>\$ 1,015,072</u>	<u>5,514</u>	<u>1,020,586</u>	

* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments:				
ISCAP(Note 5)	\$ 1,300,513	0	0	1,300,513
Other	194,759	2,961,478	320,730	3,476,967
Receivables:				
Property tax				
Delinquent	16,077	73,754	0	89,831
Succeeding year	1,644,158	0	420,849	2,065,007
Interfund	9,600	0	0	9,600
Accounts	0	0	3,719	3,719
Accrued ISCAP interest (Note 5)	493	0	0	493
Due from other governments	218,478	0	0	218,478
TOTAL ASSETS	\$ 3,384,078	3,035,232	745,298	7,164,608
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund payable	\$ 0	0	2,100	2,100
Accounts payable	309,119	326,576	3,062	638,757
Loan payable	200,000	0	0	200,000
ISCAP warrants payable (Note 5)	1,290,000	0	0	1,290,000
ISCAP accrued interest payable (Note 5)	495	0	0	495
ISCAP unamortized premium	22,123	0	0	22,123
Salaries and benefits payable	700,135	0	0	700,135
Deferred revenue:				
Succeeding year property tax	1,644,158	0	420,849	2,065,007
Other	371		0	371
Total liabilities	4,166,401	326,576	426,011	4,918,988
Fund balances:				
Reserved for:				
Capital facility construction	0	2,155,880	0	2,155,880
Talented and gifted	87,020	0	0	87,020
State technology	16,133	0	0	16,133
Beginning teacher mentoring	3,531	0	0	3,531
Basic teacher compensation	103	0	0	103
Professional development day	3,317	0	0	3,317
Market factor	4,309	0	0	4,309
Market factor incentives	4,177	0	0	4,177
Phase III	2,530	0	0	2,530
Unreserved	(903,443)	552,776	319,287	(31,380)
Total fund balances	(782,323)	2,708,656	319,287	2,245,620
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,384,078	3,035,232	745,298	7,164,608

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2008

Total fund balances of governmental funds (page 15)	\$ 2,245,620
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	1,899,902
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(20,861)
Long-term liabilities, including bonds payable, bus lease payable, and early retirement payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(3,109,589)</u>
Net assets of governmental activities (page 13)	<u><u>\$ 1,015,072</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General	Capital Projects	Other Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 1,542,583	546,957	423,577	2,513,117
Tuition	666,045	0	0	666,045
Other	106,171	143,587	328,300	578,058
State sources	2,928,044	0	0	2,928,044
Federal sources	84,038	0	0	84,038
Total revenues	5,326,881	690,544	751,877	6,769,302
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	2,699,950	0	6,000	2,705,950
Special instruction	583,646	0	0	583,646
Other instruction	358,881	0	319,248	678,129
	3,642,477	0	325,248	3,967,725
Support services:				
Student services	218,259	0	0	218,259
Instructional staff services	198,980	0	0	198,980
Administration services	604,913	46,149	0	651,062
Operation and maintenance of plant services	333,359	0	78,809	412,168
Transportation services	319,808	0	9,663	329,471
	1,675,319	46,149	88,472	1,809,940
Other expenditures:				
Facilities acquisitions	0	749,722	58,727	808,449
Long-term debt:				
Principal	0	0	102,328	102,328
Interest and fiscal charges	0	0	127,079	127,079
AEA flowthrough	200,662	0	0	200,662
	200,662	749,722	288,134	1,238,518
Total expenditures	5,518,458	795,871	701,854	7,016,183
Excess(deficiency) of revenues over(under) expenditures	(191,577)	(105,327)	50,023	(246,881)
Other financing sources(uses):				
Transfers in	0	0	23,099	23,099
Transfers out	0	0	(28,508)	(28,508)
Total other financing sources(uses)	0	0	(5,409)	(5,409)
Net change in fund balances	(191,577)	(105,327)	44,614	(252,290)
Fund balance beginning of year	(590,746)	2,813,983	274,673	2,497,910
Fund balance end of year	\$ (782,323)	2,708,656	319,287	2,245,620

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds (page 17) \$ (252,290)

*Amounts reported for governmental activities in the
statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 811,840	
Depreciation expense	(107,560)	
Loss on disposal of capital assets	(6,098)	698,182

Proceeds from issuing long-term liabilities provide current financial resources to governmental fund, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Repaid	102,328	102,328
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

1,586

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early Retirement	(230,797)
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Changes in net assets of governmental activities (page 14) \$ 319,009

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

	<u>School Nutrition</u>
ASSETS	
Cash and cash equivalents	\$ 138
Due from other governments	5,923
Inventories	12,970
Capital assets, net of accumulated depreciation (Note 6)	<u>2,935</u>
TOTAL ASSETS	<u>21,966</u>
LIABILITIES	
Interfund payable	7,500
Salaries and benefits payable	4,269
Unearned revenues	<u>4,683</u>
TOTAL LIABILITES	<u>16,452</u>
NET ASSETS	
Invested in capital assets	2,935
Unrestricted	<u>2,579</u>
TOTAL NET ASSETS	<u><u>\$ 5,514</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2008

	<u>School</u> <u>Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 147,897
TOTAL OPERATING REVENUES	<u>147,897</u>
OPERATING EXPENSES:	
Non-instructional programs:	
Salaries	81,929
Benefits	11,066
Services	2,585
Supplies	109,686
Depreciation	1,487
Other	311
TOTAL OPERATING EXPENSES	<u>207,064</u>
OPERATING LOSS	<u>(59,167)</u>
NON-OPERATING REVENUES:	
State sources	2,950
Federal sources	66,990
Interest on investments	219
TOTAL NON-OPERATING REVENUES	<u>70,159</u>
Net income	10,992
Net assets beginning of year	<u>(5,478)</u>
Net assets end of year	<u>\$ 5,514</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 140,954
Cash received from miscellaneous operating activities	214
Cash payments to employees for services	(94,826)
Cash payments to suppliers for goods or services	(103,662)
Net cash used in operating activities	<u>(57,320)</u>
Cash flows from non-capital financing activities:	
Borrowings from General Fund	7,500
State grants received	2,950
Federal grants received	47,268
Net cash provided by non-capital financing activities	<u>57,718</u>
Cash flows from investing activities:	
Interest on investments	<u>219</u>
Cash flows from capital financing activities:	
Purchase of assets	<u>(550)</u>
Net increase in cash and cash equivalents	67
Cash and cash equivalents at beginning of year	<u>71</u>
Cash and cash equivalents at end of year	<u><u>\$ 138</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (59,167)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	16,870
Depreciation	1,487
Increase in inventories	(295)
Decrease in accounts payable	(15,155)
Decrease in salaries and benefits payable	(1,831)
Increase in unearned revenue	771
Net cash used in operating activities	<u><u>\$ (57,320)</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u><u>\$ 138</u></u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$16,870.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2008

	<u>Private Purpose Trust Scholarship</u>	<u>Agency</u>
ASSETS		
Cash and pooled investments	<u>\$ 7,533</u>	<u>6,787</u>
LIABILITIES		
Due to other groups	<u>0</u>	<u>6,787</u>
NET ASSETS		
Reserved for scholarships	<u><u>\$ 7,533</u></u>	<u><u>0</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2008

	Private Purpose Trust Scholarship
Additions	
Local sources:	
Gifts and contributions	\$ 21,133
Deductions	
Instruction:	
Scholarships awarded	19,009
Change in net assets before other financing sources	2,124
Other financing sources:	
Transfer in	5,409
Change in net assets	7,533
Net assets beginning of year	0
Net assets end of year	\$ 7,533

SEE NOTES TO FINANCIAL STATEMENTS.

ALBURNETT COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

(1) **Summary of Significant Accounting Policies**

The Alburnett Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Alburnett, Iowa, and the predominate agricultural territory in Linn County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Alburnett Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Alburnett Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Linn County Assessors' Conference Board.

B. Basis of Presentation

Government-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation plus unspent bond proceeds and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The District's proprietary fund is the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets help by the District as an agent for individuals, private organizations. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of result of operations.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB

pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and

reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial

statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balance will either be reimbursed or served lunches. The lunch account balances are reflected in the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2008 were entirely covered by Federal depository insurance or by the State Sinking Funds in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the District had investments in Certificates of Deposit with a maturity over one year as follows:

	Fair Value
Certificates of Deposit	\$ 14,654

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Special Revenue- Physical Plant and Equipment Levy	\$ 23,099
Private Purpose Trust	Expendable Trust	5,409
Total		<u>\$ 28,508</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Due from and Due to Other Funds

At June 30, 2008 the interfund receivables and payables consisted of the following:

Receivable Fund	Payable Fund	Amount
General	Enterprise - School Nutrition	\$ 7,500
General	Debt Service	2,100
Total		<u>\$ 9,600</u>

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2008-09A	6/26/2008	6/25/2009	\$ 1,300,513	493	1,290,000	495

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2008 is as follows:

Series	Balance		Balance	
	Beginning of Year	Advances Received	Advances Repaid	End of Year
2007-08A \$	0	898,578	898,578	0

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2008-09A	3.500%	3.469%

(6) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,000	0	0	1,000
Construction in progress	44,621	795,871	0	840,492
Total capital assets not being depreciated	45,621	795,871	0	841,492
Capital assets being depreciated:				
Buildings	1,101,657	0	0	1,101,657
Land improvements	205,893	2,698	0	208,591
Machinery and equipment	1,445,090	13,271	67,537	1,390,824
Total capital assets being depreciated	2,752,640	15,969	67,537	2,701,072
Less accumulated depreciation for:				
Buildings	223,558	25,815	0	249,373
Land improvements	161,976	3,921	0	165,897
Machinery and equipment	1,211,007	77,824	61,439	1,227,392
Total accumulated depreciation	1,596,541	107,560	61,439	1,642,662
Total capital assets being depreciated, net	1,156,099	(91,591)	6,098	1,058,410
Governmental activities capital assets, net	\$ 1,201,720	704,280	6,098	1,899,902

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 84,305	550	0	84,855
Less accumulated depreciation	80,433	1,487	0	81,920
Business-type activities capital assets, net	<u>\$ 3,872</u>	<u>(937)</u>	<u>0</u>	<u>2,935</u>

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular

\$ 3,565

Other

2,761

Support services:

Instructional staff

19,129

Administration

1,181

Operation and maintenance

4,140

Transportation

47,048

77,824

Unallocated depreciation

29,736

Total governmental activities depreciation expense

\$ 107,560

Business-type activities:

Food services

\$ 1,487

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 2,850,000	0	85,000	2,765,000	90,000
Bus leases	111,620	0	17,328	94,292	18,224
Early retirement	19,500	236,797	6,000	250,297	82,606
Total	<u>\$ 2,981,120</u>	<u>236,797</u>	<u>108,328</u>	<u>3,109,589</u>	<u>190,830</u>

General Obligation Bonds Payable

Details of the District's June 30, 2008 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bond issue of May 2007		
		Principal	Interest	Total
2009	4.25 % \$	90,000	117,695	207,695
2010	4.25	95,000	113,870	208,870
2011	4.25	100,000	109,832	209,832
2012	4.25	105,000	105,582	210,582
2013	4.30	110,000	101,120	211,120
2014	4.50	115,000	96,390	211,390
2015	4.50	120,000	91,215	211,215
2016	4.50	125,000	85,815	210,815
2017	3.90	135,000	80,190	215,190
2018	3.95	140,000	74,925	214,925
2019	4.00	145,000	69,395	214,395
2020	4.05	155,000	63,595	218,595
2021	4.15	165,000	57,318	222,318
2022	4.20	170,000	50,470	220,470
2023	4.25	180,000	43,330	223,330
2024	4.30	190,000	35,680	225,680
2025	4.35	200,000	27,510	227,510
2026	4.40	205,000	18,810	223,810
2027	4.45	220,000	9,790	229,790
Total		\$ 2,765,000	1,352,532	4,117,532

Bus Lease

During the year ended June 30, 2007, the District entered into two bus leases with Blue Bird Body Company for two buses. Details of the District's June 30, 2008 bus lease indebtedness are as follows:

Year Ending June 30,	Interest Rate	Bus lease dated February 14, 2007		
		Principal	Interest	Total
2009	5.17 % \$	18,224	4,875	23,099
2010	5.17	76,068	3,932	80,000
Total		\$ 94,292	8,807	103,099

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-nine. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 50% of the employees base salary calculated by using the current year regular salary schedule, less any other additional pay and subject to a maximum of \$8,000 per individual. Early retirement benefits paid during the year ended June 30, 2008, totaled \$6,000. A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund non-current early retirement.

(8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007, and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$194,985, \$170,678, and \$163,557, respectively, equal to the required contributions for each year.

(9) Risk Management

Alburnett Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$200,662 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Deficit Fund Balance

The General Fund and the Debt Service Fund had deficit unreserved fund balances at June 30, 2008 of \$903,443 and \$2,057, respectively.

REQUIRED SUPPLEMENTAL INFORMATION

ALBURNETT COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 3,757,220	148,116	3,905,336	3,669,383	3,669,383	235,953
State sources	2,928,044	2,950	2,930,994	2,884,751	2,884,751	46,243
Federal sources	84,038	66,990	151,028	153,000	153,000	(1,972)
Total revenues	6,769,302	218,056	6,987,358	6,707,134	6,707,134	280,224
Expenditures:						
Instruction	3,967,725	0	3,967,725	4,743,016	4,843,016	875,291
Support services	1,809,940	0	1,809,940	1,776,936	2,025,000	215,060
Non-instructional programs	0	207,064	207,064	207,942	215,000	7,936
Other expenditures	1,238,518	0	1,238,518	3,798,544	3,798,544	2,560,026
Total expenditures	7,016,183	207,064	7,223,247	10,526,438	10,881,560	3,658,313
Excess (deficiency) of revenues over (under) expenditures	(246,881)	10,992	(235,889)	(3,819,304)	(4,174,426)	3,938,537
Other financing sources, net	(5,409)	0	(5,409)	0	0	(5,409)
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(252,290)	10,992	(241,298)	(3,819,304)	(4,174,426)	3,933,128
Balance beginning of year	2,497,910	(5,478)	2,492,432	2,646,873	2,646,873	(154,441)
Balance end of year	\$ 2,245,620	5,514	2,251,134	(1,172,431)	(1,527,553)	3,778,687

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$355,122.

OTHER SUPPLEMENTAL INFORMATION

ALBURNETT COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total	Debt Service	
Assets						
Cash and pooled investments	\$ 75,073	94,046	151,568	320,687	43	320,730
Receivables:						
Property tax:						
Succeeding year	81,000	0	128,724	209,724	211,125	420,849
Accounts	0	3,719	0	3,719	0	3,719
Total assets	\$ 156,073	97,765	280,292	534,130	211,168	745,298
Liabilities and Fund Balances						
Liabilities:						
Interfund payable	\$ 0	0	0	0	2,100	2,100
Accounts payable	0	3,062	0	3,062	0	3,062
Deferred revenue:						
Succeeding year property tax	81,000	0	128,724	209,724	211,125	420,849
Total Liabilities	81,000	3,062	128,724	212,786	213,225	426,011
Unreserved fund balance	75,073	94,703	151,568	321,344	(2,057)	319,287
Total liabilities and fund balances	\$ 156,073	97,765	280,292	534,130	211,168	745,298

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2008

	Special Revenue Funds					Debt Service	Total Nonmajor Governmental Funds
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total		
REVENUES:							
Local sources:							
Local tax	\$ 98,777	0	121,106	0	219,883	203,694	423,577
Other	15,641	308,095	4,007	0	327,743	557	328,300
TOTAL REVENUES	114,418	308,095	125,113	0	547,626	204,251	751,877
EXPENDITURES:							
Current:							
Instruction:							
Regular instruction	6,000	0	0	0	6,000	0	6,000
Other instruction	0	319,248	0	0	319,248	0	319,248
Support services:							
Operation and maintenance of plant services	65,178	0	13,631	0	78,809	0	78,809
Student transportation	9,663	0	0	0	9,663	0	9,663
Other expenditures:							
Facilities acquisitions	0	0	58,727	0	58,727	0	58,727
Long-term debt:							
Principal	0	0	0	0	0	102,328	102,328
Interest and fiscal charges	0	0	0	0	0	127,079	127,079
TOTAL EXPENDITURES	80,841	319,248	72,358	0	472,447	229,407	701,854
EXCESS(DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	33,577	(11,153)	52,755	0	75,179	(25,156)	50,023
OTHER FINANCING SOURCES(USES):							
Transfers in	0	0	0	0	0	23,099	23,099
Transfers out	0	0	(23,099)	(5,409)	(28,508)	0	(28,508)
Total other financing sources(uses)	0	0	(23,099)	(5,409)	(28,508)	23,099	(5,409)
EXCESS(DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER(UNDER) EXPENDITURES	33,577	(11,153)	29,656	(5,409)	46,671	(2,057)	44,614
FUND BALANCE BEGINNING OF YEAR	41,496	105,856	121,912	5,409	274,673	0	274,673
FUND BALANCE END OF YEAR	\$ 75,073	94,703	151,568	0	321,344	(2,057)	319,287

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 0	14	14	0
Athletics	0	44,498	42,613	1,885
Track club	0	5,401	4,684	717
Class Funds	1,749	2,486	1,319	2,916
Student Project-Ven	1,178	6,363	8,141	(600)
Class of 2007	306	0	306	0
Class of 2008	1,006	2,058	3,064	0
Class of 2009	2,146	6,732	7,063	1,815
Class of 2010	1,776	180	500	1,456
Class of 2011	1,146	180	0	1,326
Class of 2012	536	447	44	939
Class of 2013	536	140	44	632
Class of 2014	536	140	0	676
FFA	8,891	18,237	14,732	12,396
Project oxygen-FFA	15	0	0	15
National honor society	712	1,188	1,346	554
Booster club	42,095	94,073	98,060	38,108
Math counts	261	40	0	301
Pom pons	3,895	15,888	18,891	892
Color guard	83	0	83	0
Football squad	36	3,096	2,587	545
Science club	1,671	0	1,671	0
Wrestling club	11	3,616	1,937	1,690
FBLA	12	25,569	25,810	(229)
Renaissance	428	2,862	3,515	(225)
Spanish club	987	1,081	919	1,149
Volleyball squad	1,390	3,044	3,204	1,230
Baseball	565	6,934	7,499	0
Sunshine club	(207)	820	613	0
Interest & misc.	4,059	4,297	6,885	1,471
FSB donation	969	2,120	1,204	1,885
Book fines	7	4	0	11
Marketing	0	2,274	2,274	0
Book fair	927	6,306	6,095	1,138
Annual	1,467	2,321	2,659	1,129
Student council	262	1,539	2,176	(375)
Music parents	10,135	11,515	12,893	8,757
Band boosters	217	463	680	0
Basketball club	0	1,334	1,334	0
Elementary club	10,716	3,490	5,539	8,667
Cheerleaders	1,119	8,123	7,166	2,076
Peer group	939	0	939	0
Wrestling cheerleading	(161)	3,784	3,218	405
School cents	622	1,675	2,297	0
Soda program	417	0	417	0
Paper & pencils	1,425	0	1,425	0
Health careers	30	0	30	0
Tattler	67	0	67	0
Archery in Iowa School	0	232	0	232
Character counts	847	40	397	490
Children's Miracle/Dance-a-thon	32	13,491	12,894	629
Total	\$ 105,856	308,095	319,248	94,703

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2008

	Capital Projects	Construction Capital Projects Fund	Total Capital Projects Funds
ASSETS			
Cash and pooled investments	\$ 479,022	2,482,456	2,961,478
Receivables:			
Accounts	73,754	0	73,754
TOTAL ASSETS	\$ 552,776	2,482,456	3,035,232
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	0	326,576	326,576
Fund balances:			
Unreserved:			
Capital projects	552,776	2,155,880	2,708,656
Total fund balances	552,776	2,155,880	2,708,656
TOTAL LIABILITIES AND FUND BALANCES	\$ 552,776	2,482,456	3,035,232

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2008

	Capital Projects	Construction Capital Projects Fund	Total Capital Projects Funds
REVENUES:			
Local sources:			
LOSST			
Other	\$ 546,957	0	546,957
TOTAL REVENUES	5,819	137,768	143,587
	552,776	137,768	690,544
EXPENDITURES:			
Current:			
Support services:			
Administration			
Other expenditures:	0	46,149	46,149
Facilities acquisitions	0	749,722	749,722
TOTAL EXPENDITURES	0	795,871	795,871
Excess(deficiency) of revenues over(under) expenditures	552,776	(658,103)	(105,327)
Fund balance beginning of year	0	2,813,983	2,813,983
Fund balance end of year	\$ 552,776	2,155,880	2,708,656

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 PRIVATE PURPOSE TRUST ACCOUNTS
 JUNE 30, 2008

	Floyd S. Etzel Scholarship	Geers Scholarship	Ryan Balderston Memorial	Carl Rockwood Scholarship	School Cents	Total
ASSETS						
Cash and pooled investments	\$ 2,097	323	(500)	552	5,061	7,533
LIABILITIES						
	0	0	0	0	0	0
NET ASSETS						
Restricted for scholarships	\$ 2,097	323	(500)	552	5,061	7,533

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF CHANGES IN
 FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST ACCOUNTS
 YEAR ENDED JUNE 30, 2008

	Floyd S. Etzel Scholarship	Geers Scholarship	Ryan Balderston Memorial	Carl Rockwood Scholarship	School Cents	Total
Additions:						
Local sources:						
Gifts and contributions	\$ 0	0	500	13,000	7,633	21,133
Deductions:						
Instruction:						
Scholarships awarded	1,000	100	1,000	13,000	3,909	19,009
Change in net assets before other financing sources	(1,000)	(100)	(500)	0	3,724	2,124
Other financing sources:						
Transfer in	3,097	423	0	552	1,337	5,409
Change in net assets	2,097	323	(500)	552	5,061	7,533
Net assets beginning of year	0	0	0	0	0	0
Net assets end of year	\$ 2,097	323	(500)	552	5,061	7,533

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
YEAR ENDED JUNE 30, 2008

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 3,083	3,704	0	6,787
Liabilities				
Due to other groups	\$ 3,083	3,704	0	6,787

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ALBURNETT COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FIVE YEARS

	Modified Accrual Basis				
	Years Ended June 30,				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 2,513,117	1,774,897	1,562,509	1,517,880	1,474,010
Tuition	666,045	629,665	522,967	487,143	470,432
Other	578,058	393,055	339,394	386,472	310,651
Intermediate sources	0	0	0	0	300
State sources	2,928,044	2,650,067	2,657,564	2,600,046	2,436,976
Federal sources	84,038	142,670	89,334	80,468	117,374
Total	\$ 6,769,302	5,590,354	5,171,768	5,072,009	4,809,743
Expenditures:					
Instruction:					
Regular instruction	\$ 2,705,950	2,556,469	2,120,940	2,276,140	2,265,072
Special instruction	583,646	699,192	811,393	650,055	570,669
Other instruction	678,129	675,071	855,806	605,003	614,222
Support services:					
Student services	218,259	204,796	202,823	186,239	172,100
Instructional staff services	198,980	181,380	181,200	161,357	159,331
Administration services	651,062	563,538	519,676	499,878	455,873
Operation and maintenance of plant services	412,168	465,995	381,106	372,588	476,911
Transportation services	329,471	434,288	283,827	275,890	290,981
Other expenditures:					
Facilities acquisitions	808,449	41,071	42,974	0	53,697
Long-term debt:					
Principal	102,328	23,099	0	0	0
Interest and fiscal charges	127,079	0	0	0	0
AEA flow-through	200,662	191,048	179,370	176,022	172,940
Total	\$ 7,016,183	6,035,947	5,579,115	5,203,172	5,231,796

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
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Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Alburnett Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Alburnett Community School District of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 19, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Alburnett Community School District internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Alburnett Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Alburnett Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Alburnett Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Alburnett Community School District's financial statements that is more than inconsequential will not be prevented or detected by Alburnett Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Alburnett Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Alburnett Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Alburnett Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Alburnett Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Alburnett Community School District and other parties to whom Alburnett Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Alburnett Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Nolte, Cornman & Johnson PC
NOLTE, CORNMAN & JOHNSON, P.C.

January 19, 2009

ALBURNETT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

- I-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial balance of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We are at a disadvantage because of the number of staff working at the District; however, we are training our elementary secretary to take a greater part in the bank receipting and bank deposit process. Also, the high school secretary has had the responsibility of receipting and depositing activity gate and concession stand monies.

Conclusion - Response accepted.

- I-B-08 Gate Admissions - It was noted that the District does not utilize pre-numbered tickets for event admissions and a reconciliation is not performed after the event.

Recommendation - The District should have internal control procedures established for handling cash for all activity events, including athletic events and communicate the policies and procedures to individuals involved. The Board would of course, approve any policies and the District's business office should be involved in developing the detailed procedures. At a minimum these procedures should include:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold including the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collected should reconcile. Variances, if any should be minimal.

- f. A reconciliation form should be completed and signed off by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the “accounting” function at the event.
- h. The AD or designee should be required to take the cash collections to the night depository at the bank or at a minimum, lock the cash collections in the District’s vault or other secure location at the District’s office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response - All of our activities have at least two persons monitoring cash boxes at the same time. At all activities there is also a third person who supervises all activity procedures. Monies are counted by two individuals and recounted at least twice. Moines are kept in the school vault and taken to the bank for deposit usually the next morning. Football gate receipts are put in the bank night deposit after it has been counted by two different persons the night of the activity.

Conclusion - Response accepted.

- I-C-08 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches.

Response - The District is in the process of developing a process of keeping track of hours worked by coaches who are non-certified staff members. We do have a retiring Athletic Director and on the responsibilities of the new Athletic Director will be to develop and maintain accurate records.

Conclusion - Response accepted.

- I-D-08 Student Activity Fund - During our audit concerns arose about certain expenditures paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The Student Activity Fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in Department of Education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as part of the education program for the students established under Iowa Administrative Code 281-12.6(1).

We noted that library books were purchased from the Student Activity Fund. If fundraisers or donations are received to purchase library books, the revenue should be recorded and subsequently paid from the General Fund.

The District receives a donation from Farmers State Bank for Student Activity programs. The District made inappropriate expenditures as donations to Post Prom, Band Boosters, and Children's Miracle Network. The District should review the restrictions placed on the donation from Farmers State Bank. The District may need to inform Farmers State Bank of what are allowable expenditures for the District which may additionally restrict the availability of funds. Since the donation is for Student Activities, expenditures should be allowable from the Student Activity Fund.

The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. If receipts/expenditures are deemed inappropriate for the Student Activity Fund the proper measures should be taken to receipt monies to the correct fund they can be expended from.

Response - The District is taking measure to insure that all receipts and expenditures to the Student Activity Fund are correct and appropriate.

Conclusion - Response accepted.

ALBURNETT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

II-A-08 Certified Budget - District disbursements for the year ended June 30, 2008, did not exceed the amount budgeted.

II-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-08 Business Transactions - Business transactions between the District and District officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jeff Miles, Teacher Owner of Miles Law Mowing Service	Mowing services	\$699
Gary Holsinger, Custodian	Snow removal	\$5,710

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the District's custodian and teacher does not appear to represent a conflict of interest.

II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

II-G-08 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of resident students reported on Line 1 was overstated by 2.5 students. The number of students reported on Line 2 open enrolled out was overstated by 1.4 students. The number of students which were tuitioned out reported on Line 3 was overstated by five students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - The District has contacted the Department of Management and all enrollment issues have been resolved.

Conclusion - Response accepted.

II-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.

II-J-08 Checks Outstanding - We noted during our audit that the District had checks included in the bank reconciliations of the General, Activity and Nutrition Funds which have been outstanding for over a year.

Recommendation - The District should determine if the outstanding checks should be reissued, voided, or submitted to the State as unclaimed property. If the checks are submitted as unclaimed property, the District must do so annually before November 1st as required by Chapter 556.1(10) and 556.11 of the Code of Iowa.

Response - The District will follow all procedures as established by Chapter 556.1(10) and 556.11 of the Code of Iowa.

Conclusion - Response accepted.

II-K-08 Financial Condition - The District had deficit unreserved fund balances of \$903,443 and \$2,057 in the General Fund and the Debt Service Fund, respectively. The District also had four negative account balances totaling \$1,429 in the Student Activity Fund at June 30, 2008.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate the deficits. The District should consider a workout plan to bring these funds to a solvent position.

Response - The District is investigating all alternatives to the elimination of all deficits. We have developed a workout plan and it has been distributed to ISCAP. It should be noted that it may take the District at least five years to dig out of our current financial situation.

Conclusion - Response accepted.